

## PRELIMINARY OFFICIAL STATEMENT

Dated October 26, 2007

**Ratings:**  
**Moody's: Applied For**  
**S&P: Applied For**  
**Fitch: Applied For**  
**See ("OTHER INFORMATION**  
**- RATINGS" herein)**

### NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates is excludable from gross income for federal income tax purposes under existing law and the Certificates are not private activity bonds. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

#### THE CERTIFICATES WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

**\$4,400,000**  
**CITY OF SUGAR LAND, TEXAS**  
**(Fort Bend County)**  
**COMBINATION TAX AND REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2007**

**Dated Date: December 15, 2007**

**Due: February 15, as shown on inside cover**

**PAYMENT TERMS** . . . Interest on the \$4,400,000 City of Sugar Land, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2007 (the "Certificates") will accrue from December 15, 2007 (the "Dated Date"), and will be payable February 15 and August 15 of each year commencing August 15, 2008, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Trust Company, N.A., Dallas, Texas (see "THE CERTIFICATES - PAYING AGENT/REGISTRAR").

**Authority for Issuance** . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a subordinate pledge of the net revenues of the Municipal Airport System of the City as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "THE CERTIFICATES - AUTHORITY FOR ISSUANCE").

**Purpose** . . . Proceeds from the sale of the Certificates will be used for (i) the acquisition, construction and equipping of airport improvements, and (ii) to pay the costs associated with the issuance of the Certificates.

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See Maturity Schedule on the inside cover

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**OPTIONAL REDEMPTION** . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2017, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2016, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - OPTIONAL REDEMPTION").

**MANDATORY SINKING FUND REDEMPTION** . . . In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule above are combined to create Term Certificates, each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Certificate and continuing on February 15 in each year thereafter until the stated maturity date of that Term Certificate, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Certificates to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

**LEGALITY** . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchasers and subject to the approving opinions of the Attorney General of Texas and the opinions of Vinson & Elkins L.L.P., Bond Counsel, Houston, Texas (see APPENDIX C, "FORM OF BOND COUNSEL'S OPINION").

**DELIVERY** . . . It is expected that the Certificates will be available for delivery through The Depository Trust Company on December 20, 2007.

**BIDS DUE TUESDAY, DECEMBER 4, 2007, AT 3:00 P.M., CST**

## MATURITY SCHEDULE

<u>Principal</u>	<u>Maturity February 15</u>	<u>Interest Rate</u>	<u>Price or Yield <sup>(1)</sup></u>	<u>CUSIP Numbers <sup>(2)</sup></u>	<u>Principal</u>	<u>Maturity February 15</u>	<u>Interest Rate</u>	<u>Price or Yield (1)</u>	<u>CUSIP Numbers <sup>(2)</sup></u>
\$ 130,000	2009				\$ 215,000	2019 <sup>(3)</sup>			
140,000	2010				230,000	2020 <sup>(3)</sup>			
145,000	2011				240,000	2021 <sup>(3)</sup>			
155,000	2012				250,000	2022 <sup>(3)</sup>			
160,000	2013				265,000	2023 <sup>(3)</sup>			
170,000	2014				280,000	2024 <sup>(3)</sup>			
175,000	2015				290,000	2025 <sup>(3)</sup>			
185,000	2016				305,000	2026 <sup>(3)</sup>			
195,000	2017 <sup>(3)</sup>				325,000	2027 <sup>(3)</sup>			
205,000	2018 <sup>(3)</sup>				340,000	2028 <sup>(3)</sup>			

**(Accrued Interest from December 15, 2007 to be added)**

- (1) The initial reoffering prices or yields on the Certificates are furnished by the Initial Purchaser of the Certificates (as defined herein) and represent the initial offering prices or yields to the public, which may be changed by the Initial Purchaser of the Certificates at any time.
- (2) CUSIP numbers have been assigned to the Certificates by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Certificates. Neither the City nor the Initial Purchaser of the Certificates is responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (3) The Certificates maturing on or after February 15, 2017 are subject to redemption, at the option of the City, on February 15, 2016, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE CERTIFICATES – OPTIONAL REDEMPTION."

## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

<u>City Council</u>	<u>Occupation</u>	<u>Position</u>
David Wallace	Investments	Mayor
Thomas Abraham	Independent Business Owner	Councilmember
Daniel O. Wong	Engineering	Councilmember
Dennis C. Parmer	Information Technology	Councilmember
Donald G. Olson	Business Owner / Management Consultant	Councilmember
Russell C. Jones	Attorney	Councilmember
Michael S. Schiff	Advisory Services	Councilmember

### SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Year Employed</u>
Allen Bogard	City Manager	1995
Karen Glynn	Assistant City Manager, Public Services	1995
Karen Daly	Assistant City Manager, Administration	2007
Linda Symank	Director of Fiscal Services	2006
Jennifer Brown	Assistant Fiscal Services Director	2000
Glenda Gundermann	City Secretary	1983
Joe Morris	City Attorney	1992

### CONSULTANTS AND ADVISORS

Certified Public Accountants .....	Null-Lairson, PC Houston, Texas
Bond Counsel.....	Vinson & Elkins L.L.P. Houston, Texas
Financial Advisor.....	First Southwest Company Houston, Texas

*This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.*

*No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.*

*The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.*

*The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.*

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

## OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

<b>THE CITY</b> .....	The City of Sugar Land is a political subdivision and municipal corporation of the State, located in Fort Bend County, Texas. The City covers approximately 32.18 square miles (see "INTRODUCTION - DESCRIPTION OF THE CITY").
<b>THE CERTIFICATES</b> .....	The Certificates are issued as \$4,400,000 Combination Tax and Revenue Certificates of Obligation, Series 2007. The Certificates are issued as serial certificates maturing 2008 through 2027, unless the Initial Purchaser of the Certificates designates one or more maturities as a Term Certificate (see "THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES").
<b>PAYMENT OF INTEREST</b> .....	Interest on the Certificates accrues from December 15, 2007, and is payable August 15, 2008, and each February 15 and August 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES" and "THE CERTIFICATES - OPTIONAL REDEMPTION").
<b>AUTHORITY FOR ISSUANCE</b> .....	The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an Ordinance passed by the City Council of the City (see "THE CERTIFICATES - AUTHORITY FOR ISSUANCE").
<b>SECURITY FOR THE CERTIFICATES</b> .....	The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a subordinate pledge of the net revenues of the Municipal Airport System of the City as provided in the ordinance authorizing the Certificates (see "THE CERTIFICATES - SECURITY AND SOURCE OF PAYMENT").
<b>REDEMPTION</b> .....	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2017, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2016, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - OPTIONAL REDEMPTION"). Additionally, the Certificates may be subject to mandatory redemption in the event the Initial Purchasers elect to aggregate one or more maturities as a Term Certificate (see "THE CERTIFICATES - MANDATORY SINKING FUND REDEMPTION").
<b>TAX EXEMPTION</b> .....	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law and the Certificates are not private activity bonds. See "TAX MATTERS - TAX EXEMPTION" for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations.
<b>USE OF PROCEEDS</b> .....	Proceeds from the sale of the Certificates will be used for (i) the acquisition, construction and equipping of airport improvements, and (ii) to pay the costs associated with the issuance of the Certificates.
<b>RATINGS</b> .....	The presently outstanding general obligation debt of the City is rated "Aa2" by Moody's Investors Service, Inc. ("Moody's"), "AA" by Standard & Poor's Ratings Services, A Division of McGraw-Hill Companies, Inc. ("S&P"), and "AA" by Fitch Ratings ("Fitch"). The City also has several issues outstanding which are rated "Aaa" by Moody's; "AAA" by S&P; and "AAA" by Fitch through insurance by various commercial insurance companies. Applications for contract ratings on the Certificates have been made to Moody's, S&P, and Fitch (see "OTHER INFORMATION - RATINGS").
<b>BOOK-ENTRY-ONLY SYSTEM</b> .....	The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM").
<b>PAYMENT RECORD</b> .....	The City has never defaulted in payment of its debt.

## FINANCIAL HIGHLIGHTS

### Financial Highlights

2007 Assessed Valuation (net of exemptions) \$ 7,579,580,039 <sup>(1)</sup>

### Indebtedness Payable from Ad Valorem Taxes

City Bond Debt Payable from Ad Valorem Taxes:

General Obligation Debt Outstanding (as of September 30, 2007) <sup>(2)</sup>	\$ 108,825,000	
Assumed Utility District Debt (as of September 30, 2007)	2,625,000	
		\$ 111,450,000

Less: Interest and Sinking Fund (As of September 30, 2007) \$ 4,627,154

**Net Bond Debt Payable from Ad Valorem Taxes \$ 106,822,846**

Estimated Overlapping Debt (as of September 30, 2007) \$ 396,440,677

**Net Direct and Estimated Overlapping Debt \$ 503,263,523**

	% of 2007 Assessed Value	Per Capita
Tax Supported Debt Ratios:		
Net Direct Debt .....	1.41%	\$ 1,401
Net Direct and Estimated Overlapping Debt .....	6.64%	\$ 6,602

Tax Supported Debt Service Requirements:

Average Annual (2008-2012).....	\$	14,040,665
Average Annual (2013-2018).....	\$	8,316,528
Average Annual (2019-2026).....	\$	3,046,481
Maximum (2008).....	\$	15,176,529

Total Collections (Arithmetic Averages, Fiscal Years 2003-2007):

Current Collections.....		99.27%
Total Collections.....		101.07%

### Indebtedness Payable from Municipal Airport System Revenue

City Bond Debt Payable from Municipal Airport System Revenue:

Certificates of Obligation (as of September 30, 2007)	\$ 8,375,000 <sup>(3)</sup>	
The Certificates	4,400,000	
Total Indebtedness Payable from Municipal Airport System Revenue		\$ 12,775,000

(1) Source: Fort Bend Central Appraisal District.

(2) Excludes outstanding municipal airport system debt. Outstanding Combination Tax and Revenue Certificates of Obligation, Series 2003A and Combination Tax and Revenue Certificates of Obligation, Series 2005A are paid from airport revenues and are accounted for by the City in a separate enterprise fund. See "THE MUNICIPAL AIRPORT SYSTEM."

(3) Airport Certificates of Obligation are secured by a dual pledge of airport revenues and ad valorem taxes, but have historically been paid solely from airport revenues.

### General Fund

#### Summary Operating Statement

	Fiscal Year Ended September 30				
	2007 <sup>(1)</sup>	2006	2005	2004	2003
Total Revenues	\$ 50,881,180	\$ 47,184,962	\$ 42,866,367	\$ 37,166,532	\$ 34,289,438
Total Expenses	46,420,373	42,653,388	39,369,032	35,203,914	33,129,628
Operating Transfers In (Out)	(1,060,373)	(1,472,949)	(293,900)	(1,152,448)	(1,646,957)
Beginning Fund Balance (October 1)	23,694,861	20,636,235	17,432,801 <sup>(2)</sup>	10,497,008	10,984,155
Ending Fund Balance (September 30)	\$ 27,095,295	\$ 23,694,860	\$ 20,636,236	\$ 11,307,178	\$ 10,497,008

(1) Unaudited.

(2) Restated due to a change in the application of accounting principles.

**PRELIMINARY OFFICIAL STATEMENT**  
**RELATING TO**  
**\$4,400,000**  
**CITY OF SUGAR LAND, TEXAS**  
**COMBINATION TAX AND REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2007**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$4,400,000 City of Sugar Land, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2007 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance to be adopted on the date of sale of the Certificates which will authorize the issuance of the Certificates, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City of Sugar Land, Texas (the "City") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, Houston, Texas.

**DESCRIPTION OF THE CITY**

The City is a municipal corporation, duly organized and existing under the laws of the State of Texas (the "State"), including the City's Home Rule Charter. The City was incorporated in 1959 and first adopted its Home Rule Charter in November 1980. The Charter, as amended, provides for a Council-Manager form of government. The Council is composed of a Mayor and six Council Members, two of whom are elected at large and four of whom are elected by district. The Mayor and Council all serve two-year terms. The 1990 Census population for the City was 24,529, while the 2000 Census population was 63,358, an increase of 158.18%. The City encompasses 32.18 square miles.

**THE CERTIFICATES**

**DESCRIPTION OF THE CERTIFICATES**

The Certificates are dated December 15, 2007, and mature, or are subject to mandatory redemption prior to maturity, on February 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing August 15, 2008. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM" herein.

**AUTHORITY FOR ISSUANCE**

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an Ordinance authorizing the Certificates (the "Ordinance").

**SECURITY AND SOURCE OF PAYMENT**

The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a subordinate pledge of the net revenues of the Municipal Airport System of the City.

**TAX RATE LIMITATION**

Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The City is a Home Rule City with a maximum authorized tax rate for all purposes of \$2.50 per \$100 Assessed Valuation. Within this \$2.50 maximum there is no limit on the amount of taxes which can be levied for debt service on outstanding bonds. The maximum tax rate is imposed both by the Constitution of the State of Texas and the City Charter. Under the rules of the Texas Attorney General, the City may issue general obligation debt in an

amount no greater than that which can be serviced by a debt service tax of \$1.50 per \$100 assessed valuation, based on 90% collection, as calculated at the time of issuance.

#### **OPTIONAL REDEMPTION**

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2017, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2016, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

#### **MANDATORY SINKING FUND REDEMPTION**

In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule above are combined to create Term Certificates, each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on February 15, 2017 of the first year which has been combined to form such Term Certificate and continuing on February 15, 2016 in each year thereafter until the stated maturity date of that Term Certificate, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Certificates to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

The principal amount of Term Certificates required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of Term Certificates of the same maturity which (i) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

#### **NOTICE OF REDEMPTION**

Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

#### **DEFEASANCE**

The City reserves the right to defease the Certificates in any manner now or hereafter authorized by law.

#### **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*



The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee the City or the Paying Agent/Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be

requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

**USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT** In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Initial Purchasers.

**EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM** In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - TRANSFER, EXCHANGE AND REGISTRATION" below.

#### **PAYING AGENT/REGISTRAR**

The initial Paying Agent/Registrar is The Bank of New York Trust Company, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

#### **TRANSFER, EXCHANGE AND REGISTRATION**

In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

#### **RECORD DATE FOR INTEREST PAYMENT**

The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

## **CERTIFICATEHOLDERS' REMEDIES**

The Ordinance does not establish specific events of default with respect to the Certificates. Under Texas law, there is no right to the acceleration of maturity of the Certificates upon the failure of the City to observe any covenant under the Ordinance. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Act. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

The Ordinance does not provide for the appointment of a trustee to represent the interest of the certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. The opinion of Bond Counsel will note that the rights of certificateholders are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

## **USE OF CERTIFICATE PROCEEDS**

Proceeds from the sale of the Certificates are expected to be expended as follows:

Deposit to Construction Fund	\$ 4,325,000.00
Costs of Issuance	<u>75,000.00</u>
Total	<u>\$ 4,400,000.00</u>

## **TAX INFORMATION**

### **PROPERTY SUBJECT TO TAXATION BY THE CITY**

Except for certain exemptions provided by federal and Texas law, all property in the City is subject to ad valorem taxation to pay general obligations of the City. Categories of exemptions applicable to the City include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; farm products owned by producers; certain property affiliated with charitable organizations, youth development associations, religious organizations and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned or leased automobiles and personal use aircraft.

Taxable property in the City is required to be valued for tax purposes at 100% of the market value (with certain limited exceptions) as of January 1 of each year. The City is authorized by the Texas Constitution to exempt up to 20% of the appraised value of each residential homestead. Texas law also permits the City Council to grant a homestead exemption of not less than \$3,000 of appraised value to disabled persons and persons 65 years of age and over. The Texas Property Tax Code (the "Property Tax Code") also requires exemptions of up to \$12,000 for disabled veterans and certain survivors of deceased disabled veterans who apply for the exemption.

Total exemptions claimed for Tax Year 2007 are as follows: \$227,255,264 homestead exemptions; \$189,044,904 exemptions for persons 65 years of age and over; \$14,261,511 for disabled persons, \$1,748,500 exemptions for disabled veterans, \$4,176,460 for pollution exemptions, \$36,213,662 for personal leased vehicles, \$2,622,734 for prorated exempt property and \$2,240 for House Bill 366 exemptions.

## **TAX ABATEMENT**

The City may designate all or part of the area within the City as a reinvestment zone. Thereafter, Fort Bend County, the City, Fort Bend Independent School District, or municipal utility districts located inside the City limits, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the City, for a period of up to ten (10) years, all or any part of the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. The terms of all tax abatement agreements must be substantially the same. The value of property subject to such abatements for Tax Year 2007 that the City is exempting from taxation is \$103,748,150.

## **TAXING PROCEDURES**

The Fort Bend Central Appraisal District (the "Appraisal District"), a county-wide agency created under the Property Tax Code, is responsible for appraising property in the City, and the Fort Bend County Appraisal Review Board (the "Review Board"), which is appointed by the board of directors of the Appraisal District, is responsible for reviewing the values established by the Appraisal District. The Appraisal District is governed by a five-member board of directors.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property at least once every three years. Appraisals may be protested by taxpayers, and in certain cases the Review Board determines whether the appraisals are substantially uniform and otherwise comply with Texas law. The City also has the right to challenge certain Appraisal District determinations, but not the appraised value of an individual taxpayer's property. Orders of the Review Board are subject to appeal to a Texas District Court. The City's appraisal roll is certified for the City by the Appraisal District's Chief Appraiser, and the tax rate established by the City Council is applied to the values fixed by the Appraisal District, as reduced by exemptions granted by the City Council. The City's voters can require the Appraisal District, Fort Bend County's assessor-collector or a specified taxing unit within the Appraisal District to collect such taxes on behalf of the City by approving an appropriate proposition at an election held for that purpose. Such an election can be called by petition of ten percent (10%) of the qualified voters in the City. Currently, the City collects its own taxes.

All taxing units are required to adopt their tax rates before the later of September 30 or the 60<sup>th</sup> day after the taxing unit receives the appraisal roll. Failure to adopt a tax rate by the deadline will result in the taxing unit adopting the effective tax rate or last year's rate, whichever is lower, as its tax rate for the current year. The effective tax rate is the tax rate that generates the same tax revenues as the prior year for properties taxed in both years.

The City will be required to hold a public hearing and publish newspaper notices before adopting a tax rate that exceeds the effective tax rate. The rollback rate divides the overall property tax rate into categories: maintenance and operation (M&O) taxes and debt service taxes. The debt component can be increased to the amount needed to pay debt. If the M&O component exceeds 8% of the effective tax rate, less the debt component, local voters in the City can present a petition to rollback an adopted tax rate that exceeds the calculated and published effective and rollback rates.

Tax bills shall be mailed by October 1 or as soon thereafter as practicable. Taxes are due upon receipt of a tax bill and become delinquent on February 1 of the following year. If tax bills are mailed after January 10, the delinquency date is postponed to the first day of the next month that will provide at least 21 days to pay. Delinquent taxes incur a penalty of 6% and interest of 1% on February 1. Interest at a rate of 1% per month will continue until July 1 at which time the penalty becomes 12% and interest of 6%, for a total of 18%. Interest on delinquent taxes continues to accrue at the rate of 1% per month until the tax is paid. If the tax is not paid by July 1, an additional penalty of up to 20% may be imposed by the City.

The City contracts with the legal firm Linebarger, Goggan, Blair & Sampson, LLP for collection of delinquent property taxes. The taxpayer may be subject to seizure and sale of property to satisfy delinquent taxes.

## TAX DATA

### VALUATION AND DEBT INFORMATION

2007 Market Valuation Established by Fort Bend Central Appraisal District <sup>(1)</sup> \$ 8,765,015,439

Less Exemptions/Reductions at 100% Market Value:

Homestead	\$ 227,255,264	
Over Age 65	189,044,904	
Disabled Persons	14,261,511	
Disabled Veteran	1,748,500	
Agricultural Land Use Reductions	44,741,710	
Tax Exempt Property	424,306,440	
Leased Vehicles	36,213,662	
Pollution	4,176,460	
Abatements	103,748,150	
Homestead CAP Adjustments	54,452,775	
House Bill 366	2,240	
Value Lost to TIRZ	82,861,050	
Prorated Exempt Property	2,622,734	\$ 1,185,435,400
Adjusted 2007 Taxable Assessed Valuation		\$ 7,579,580,039

City Bond Debt Payable from Ad Valorem Taxes:

General Obligation Debt Outstanding (as of September 30, 2007) <sup>(2)</sup>	\$ 108,825,000	
Assumed Utility District Debt (as of September 30, 2007)	2,625,000	111,450,000

Less: Interest and Sinking Fund (as of September 30, 2007) \$ 4,627,154

Net Bond Debt Payable from Ad Valorem Taxes \$ 106,822,846

Ratio of Net Bond Debt to 2007 Taxable Assessed Valuation 1.41%

### Indebtedness Payable from Municipal Airport System Revenue

City Bond Debt Payable from Municipal Airport System Revenue:

Certificates of Obligation (as of September 30, 2007)	\$ 8,375,000 <sup>(3)</sup>	
The Certificates	4,400,000	
Total Indebtedness Payable from Municipal Airport System Revenue		\$ 12,775,000

2007 Estimated Population - 76,228

Per Capita Taxable Assessed Valuation - \$99,433

Per Capita Net General Obligation Funded Debt - \$1,401

Area - 32.18 Square Miles

(1) Source: Fort Bend Central Appraisal District.

(2) Excludes outstanding municipal airport system debt. Outstanding Combination Tax and Revenue Certificates of Obligation, Series 2003A and Combination Tax and Revenue Certificates of Obligation, Series 2005A are paid from airport revenues and are accounted for by the City in a separate enterprise fund. See "THE MUNICIPAL AIRPORT SYSTEM."

(3) Airport Certificates of Obligation are secured by a dual pledge of airport revenues and ad valorem taxes, but have historically been paid solely from airport revenues.

# **TAXABLE ASSESSED VALUATIONS BY CATEGORY**

Fiscal Year Ended	Tax Year	Real Property	Personal Property	Less: Exemptions and Abatements	Total
9/30	Year				
2004	2003	5,181,036,647	875,629,022	363,724,651	5,692,941,018
2005	2004	5,400,749,087	909,322,850	374,516,941	5,935,554,996
2006	2005	5,783,617,452	892,895,826	379,916,920	6,296,596,358
2007	2006	5,598,192,234	918,636,254	570,225,493	7,087,053,981
2008	2007	7,655,213,267	1,109,802,172	1,185,435,400	7,579,580,039

NOTE: Valuations shown are certified taxable assessed values reported by the Fort Bend Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

## **ESTIMATED OVERLAPPING BOND DEBT PAYABLE FROM AD VALOREM TAXES**

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

	Total G.O. Debt as of September 30, 2007	Estimated % Applicable	City's Overlapping G.O. Debt as of September 30, 2007
City of Sugar Land <sup>(1)</sup>	\$ 124,225,000	100.00%	\$ 124,225,000
Burney Road MUD	13,740,000	100.00%	13,740,000
Eldridge Road MUD	4,055,000	100.00%	4,055,000
First Colony LID	760,000	5.88%	44,688
First Colony LID No. 2	4,575,000	19.78%	904,935
Fort Bend County LID No. 2	5,695,000	100.00%	5,695,000
Fort Bend County MUD No. 21	13,135,000	100.00%	13,135,000
Fort Bend County WC&ID No. 2	31,990,000	1.73%	553,427
Fort Bend County <sup>(2)</sup>	375,765,000	23.93%	89,920,565
Fort Bend ISD	691,553,885	38.81%	268,392,063
Total Direct and Overlapping Funded Debt			\$ 520,665,677
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation			6.87%
Per Capita Overlapping Funded Debt			\$ 6,830

(1) Includes the Certificates.

(2) Includes the \$63,695,000 Fort Bend County, Texas Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2003 and the \$72,195,000 Fort Bend County, Texas Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2004.

## HISTORICAL TAX RATE AND COLLECTIONS

Fiscal Year Ended 9/30	Tax Rate <sup>(1)</sup>	Distribution			% Current Collections	% Total Collections
		General Fund	Interest and Sinking Fund	Tax Levy		
2003	\$ 0.32886	\$ 0.10407	\$ 0.22479	\$ 17,756,134	99.18%	99.99%
2004	0.32840	0.11588	0.21252	18,657,218	99.21%	99.98%
2005	0.32568	0.13130	0.19438	19,189,728	99.37%	100.21%
2006	0.31711	0.14783	0.16928	19,925,395	99.29%	105.71%
2007	0.30655	0.15307	0.15348	21,774,406	99.28%	99.46%
2008	0.30000	0.15000	0.15000	22,738,740	(2)	(2)

Source: The City of Sugar Land.

(1) Per \$100 assessed valuation.

(2) In process of collection.

## MUNICIPAL SALES TAX AND HOTEL OCCUPANCY TAX

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, as amended, which grants the City the power to impose and levy a 1% Local Sales and Use Tax and 1/2% for property tax reduction within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, which remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. The sales tax for economic development (1/2 of 1%) is collected for the benefit of the Sugar Land Development Corporation and the Sugar Land 4B Corporation (the "Corporations"), and may be pledged to secure payment of sales tax revenue bonds issued by the Corporations. As of September 30, 2007, the Corporations have an aggregate of \$28,105,000 in outstanding sales tax revenue bonds. Moreover, pursuant to Chapter 351, Texas Tax Code, as amended, the City, by ordinance, has levied a Hotel Occupancy Tax within its corporate limits. The Hotel Occupancy Tax is collected by the City on a quarterly basis.

All collections shown below are reported on a cash basis.

Fiscal Year Ended 9-30	General Sales	Economic Development	Hotel Occupancy	Total Collected	% of Ad Valorem Tax Levy	Equivalent Ad Valore Tax Rate
2003	\$ 19,876,630	\$ 6,625,543	\$ 264,589	\$ 26,766,763	150.75%	\$ 0.496
2004	21,762,503	7,331,174	598,574	29,692,251	159.15%	0.523
2005	23,906,665	7,989,266	857,835	32,753,766	170.68%	0.556
2006	26,494,709	8,831,570	1,067,535	36,393,814	182.65%	0.579
2007	28,289,148	9,429,716	1,151,945	38,870,809	178.52%	0.547

## TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2007 Net Assessed Valuation	% of Total Net Assessed Valuation
STC, MFG Group-SPC	Energy Technology	\$ 101,650,560	1.33%
Tramontina USA Inc	Manufacturing	98,752,240	1.29%
Lakepointe Assets, LLC	Real Estate/Engineering	89,443,550	1.17%
Sugar Land Telephone Co.	Telephone Utility	55,643,670	0.73%
Nalco Energy Services	Chemical Manufacturing	54,540,750	0.71%
Amerisource Bergen Corp.	Pharmacy/Medical	54,484,980	0.71%
GGP - Sugar Land Mall, LP	Shopping Center	34,963,680	0.46%
Sugar Creek Place, LP	Office Building - Unocal	32,000,710	0.42%
Inland Western Sugar Land Colony LP	River Park Shopping Center	30,563,620	0.40%
Weingarten Realty Investors & Etal	Shopping Center	29,571,280	0.39%
		<u>\$ 581,615,040</u>	<u>7.59%</u>

## DEBT INFORMATION

### GENERAL OBLIGATION DEBT LIMITATION

No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "THE CERTIFICATES – TAX RATE LIMITATION").

### GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year End 9/30	Outstanding General Obligation Debt <sup>(1)(2)(3)</sup>		
	Principal	Interest	Total
2008	\$ 10,530,000	\$ 4,646,529	\$ 15,176,529
2009	10,185,000	4,225,676	14,410,676
2010	10,120,000	3,812,898	13,932,898
2011	10,215,000	3,391,543	13,606,543
2012	10,110,000	2,966,680	13,076,680
2013	8,470,000	2,562,425	11,032,425
2014	7,755,000	2,192,461	9,947,461
2015	6,510,000	1,868,374	8,378,374
2016	5,645,000	1,590,229	7,235,229
2017	5,580,000	1,330,934	6,910,934
2018	5,310,000	1,084,744	6,394,744
2019	3,300,000	893,054	4,193,054
2020	3,410,000	741,566	4,151,566
2021	3,340,000	588,251	3,928,251
2022	2,940,000	446,315	3,386,315
2023	2,555,000	321,806	2,876,806
2024	2,235,000	210,648	2,445,648
2025	1,735,000	114,065	1,849,065
2026	1,505,000	36,146	1,541,146
	<u>\$ 111,450,000</u>	<u>\$33,024,343</u>	<u>\$ 144,474,343</u>

(1) "Outstanding Debt" does not include lease/purchase obligations (see "DEBT INFORMATION – OTHER OBLIGATIONS"). Excludes outstanding municipal airport system debt. Outstanding Combination Tax and Revenue Certificates of Obligation, Series 2003A and Combination Tax and Revenue Certificates of Obligation, Series 2005A are paid from airport revenues and are accounted for by the City in a separate enterprise fund. See "THE MUNICIPAL AIRPORT SYSTEM."

(2) Includes water & sewer tax-supported debt.

(3) Does not include the Certificates

### AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has \$10,535,000 authorized but unissued General Obligation Bonds. Additionally, the City has the authority, by virtue of its annexation and dissolution of certain municipal utility districts, to issue debt previously authorized by voters within the boundaries of the municipal utility districts.

Date of Authorization	Amount	Purpose	Issued to Date	Authorized but Unissued
2/28/1981	\$ 1,175,000	Street Improvements	\$ -	\$ 1,175,000
1/16/1999	19,875,000	Streets and Drainage	14,160,000	5,715,000
1/16/1999	6,925,000	Park Facilities	3,280,000	3,645,000
	<u>\$ 27,975,000</u>		<u>\$ 17,440,000</u>	<u>\$ 10,535,000</u>



## ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The City anticipates the issuance of additional general obligation debt in 2008 in the approximate amount of \$10,000,000. This debt will be issued as certificates of obligation for drainage and park improvements and general obligation bonds for street and park improvements and are expected to be repaid from property tax revenues.

## OTHER OBLIGATIONS

The City has entered into certain capital lease agreements in order to purchase public safety and management information systems equipment. Annual payments, including interest, on these leases as of October 1, 2007 are approximately as follows:

Fiscal Year Ended 9/30	Principal	Interest	Total
2008	\$ 154,072	\$ 20,895	\$ 174,968
2009	159,420	15,547	174,968
2010	134,758	10,011	144,769
2011	78,144	5,897	84,041
2012	49,974	3,538	53,512
2013	51,967	1,545	53,512
	<u>\$ 628,336</u>	<u>\$ 57,433</u>	<u>\$ 685,769</u>

During the fiscal year ended September 30, 1999, the Texas State Comptroller of Accounts notified the City, the Sugar Land Development Corporation, and the Sugar Land 4B Corporation, that the State had remitted \$591,620 in sales tax receipts to the City, which were not collected within the City. The State requested the amount be returned to the State. The City had allocated the sales tax to the Corporations in accordance with their respective sales tax rates. The City settled with the State to repay the State in annual installments of \$19,721 starting October 1, 1999, over a 30-year period without interest. The City's portion remaining is approximately \$414,134

## PENSION FUND

The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide pension plan. The City makes monthly contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see APPENDIX B, "EXCERPTS FROM THE CITY OF SUGAR LAND, TEXAS ANNUAL FINANCIAL REPORT" – Note # 10.)

## OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits through the Texas Municipal Retirement System, the City has opted to provide eligible retired employees with the following post-employment benefits:

- Eligible retirees may purchase health insurance from the City's healthcare provider at the City's cost to cover current employees
- Eligible retirees may purchase health insurance for the City's healthcare provider at the City's cost to cover current employees for dependents if the dependents were covered at the point of retirement

The City recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. The amount budgeted for the fiscal year ending September 30, 2008 is \$ 142,582. The appropriation for the fiscal year ending September 30, 2007 was \$134,210. At September 30, 2007, there were approximately 20 participants eligible to receive such benefits.

Commencing in fiscal 2008, the City will implement GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions." The City has performed an actuarial valuation of its post-retirement benefit liability. It has engaged an independent actuarial firm to prepare an initial valuation, which is expected to be completed by the first quarter of 2008.

For more information concerning the City's post-employment benefits, see the financial statements of the City, and the notes thereto.

## FINANCIAL INFORMATION

### GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2007 <sup>(1)(3)(4)</sup>	2006 <sup>(1)</sup>	2005 <sup>(1)</sup>	2004	2003
Revenues:					
Property Taxes	\$ 9,798,599	\$ 9,467,856	\$ 7,824,609	\$ 6,690,144	\$ 5,715,487
Sales Taxes	28,289,148	26,734,288	24,174,447	22,124,554	19,876,630
Franchise & Other Taxes	4,511,572	4,300,140	4,174,190	3,966,827	3,920,930
Licenses & Permits	2,713,913	1,993,057	1,453,888	1,086,479	1,110,548
Charges for Services	2,153,260	1,780,116	1,820,047	1,482,011	946,510
Fines and Forfeitures	1,547,659	1,287,592	1,201,530	1,292,717	1,539,826
Intergovernmental	472,179	525,274	1,410,201		
Investment Earnings	1,297,478	964,015	466,846		
Other	97,372	132,625	340,609	523,800	1,179,507
Total Revenues	<u>\$ 50,881,180</u>	<u>\$ 47,184,963</u>	<u>\$ 42,866,367</u>	<u>\$ 37,166,532</u>	<u>\$ 34,289,438</u>
Expenditures:					
General Government	\$ 6,150,592	\$ 5,621,256	\$ 4,785,235	\$ 9,157,022	\$ 7,354,965
Business & Intergovernmental	683,967				
Internal Services	2,947,403	5,171,840	5,020,429		
Fiscal Services	5,419,678				
Public Safety				15,722,057	15,903,177
Public Safety - Police	12,910,144	11,846,413	10,936,941		
Public Safety - Fire	8,309,085	7,067,096	6,872,287		
Community Services				9,786,334	9,316,325
Public Works	4,886,810	7,415,075	6,505,895		
Parks and Recreation	2,439,643	2,476,977	2,148,540		
Community Development	2,551,596	2,709,488	2,530,675		
Debt Service	121,456	345,243	569,030		
Other				538,501	555,161
Total Operating Expenditures	<u>\$ 46,420,373</u>	<u>\$ 42,653,388</u>	<u>\$ 39,369,032</u>	<u>\$ 35,203,914</u>	<u>\$ 33,129,628</u>
Net Revenue From Operations	<u>\$ 4,460,807</u>	<u>\$ 4,531,575</u>	<u>\$ 3,497,335</u>	<u>\$ 1,962,618</u>	<u>\$ 1,159,810</u>
Operating Transfers (In/Out)	\$ (1,060,373)	\$ (1,472,949)	\$ (293,900)	\$ (1,152,448)	\$ (1,646,957)
Fund Balance, October 1	\$ 23,694,861	\$ 20,636,235	\$ 11,307,178	\$ 10,497,008	\$ 10,984,155
Prior Period Adjustments			6,125,623 <sup>(2)</sup>		
Fund Balance, End of Year	<u>\$ 27,095,295</u>	<u>\$ 23,694,861</u>	<u>\$ 20,636,236</u>	<u>\$ 11,307,178</u>	<u>\$ 10,497,008</u>

(1) Restated due to a change in the application of accounting principles.

(2) Revenues stated on a GAAP basis and differ from historical data which is reported on a cash basis.

(3) Unaudited.

(4) Categories from Fiscal Year 2007 have been changed by the City to provide more detailed information.

## THE MUNICIPAL AIRPORT SYSTEM

### GENERAL

The City owns and operates the Sugar Land Municipal Airport, which provides general aviation services seven days a week. Airport facilities include an 8,000 foot runway, a control tower, various hangars and a terminal. Services provided include aircraft fueling, defueling, tugging and parking. The primary sources of revenues are fuel sales and hangar leases.

As of December 15, 2007, the City has outstanding \$1,275,000 Combination Tax and Revenue Certificates of Obligation, Series 2003A and \$7,100,000 Combination Tax and Revenue Certificates of Obligation, Series 2005A. The Certificates are also being issued for the purpose of municipal airport system improvements. Although these certificates are payable from ad valorem taxes, it is the intention of the City to pay for these certificates from net revenues derived from the operation of the Airport System. Debt Service on these certificates is accounted for in the City's Airport Enterprise Fund and not in the General Long-Term Debt Account Group. Property taxes received from airport property are used for development of the airport.

### AIRPORT SYSTEM OPERATING STATEMENT

The following statement sets forth in condensed form the historical results of the operation of the City's Airport System. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances excluded depreciation and operation transfers.

	Fiscal Year Ended September 30,				
	2007 <sup>(1)</sup>	2006	2005	2004	2003
<b><u>Revenues:</u></b>					
Charges for Service	\$ 10,123,804	\$ 9,391,418	\$ 7,294,538	\$ 6,112,367	\$ 4,747,403
Non-Operating Revenues	94,356	131,779	105,965	19,709	10,809
Total Revenues	\$ 10,218,160	\$ 9,523,197	\$ 7,400,503	\$ 6,132,076	\$ 4,758,212
<b><u>Expenses:</u></b>					
Total Expenses	\$ 8,334,204	\$ 8,319,812	\$ 5,897,970	\$ 4,730,288	\$ 3,651,828
Net Revenue Available for Debt Service	<u>\$ 1,883,956</u>	<u>\$ 1,203,385</u>	<u>\$ 1,502,533</u>	<u>\$ 1,401,788</u>	<u>\$ 1,106,384</u>
Debt Service Requirements	\$ 690,451	\$ 693,839	\$ 750,314	\$ 386,349	\$ 400,106
Coverage	2.73x	1.73x	2.00x	3.63x	2.77x

(1) Unaudited.

# **PRO FORMA AIRPORT SYSTEM DEBT SERVICE REQUIREMENT SCHEDULE**

Fiscal Year End 9/30	Outstanding Airport System Debt			Plus: The Certificates <sup>(1)</sup>			Total
	Principal	Interest	Total	Principal	Interest	Total	Airport System Debt
2008	\$ 320,000	\$ 370,451	\$ 690,451		\$ 161,944	\$ 161,944	\$ 852,396
2009	335,000	356,489	691,489	\$ 130,000	216,750	346,750	1,038,239
2010	340,000	342,089	682,089	140,000	210,000	350,000	1,032,089
2011	355,000	327,292	682,292	145,000	202,875	347,875	1,030,167
2012	365,000	310,293	675,293	155,000	195,375	350,375	1,025,668
2013	380,000	291,046	671,046	160,000	187,500	347,500	1,018,546
2014	395,000	271,046	666,046	170,000	179,250	349,250	1,015,296
2015	410,000	252,734	662,734	175,000	170,625	345,625	1,008,359
2016	425,000	235,955	660,955	185,000	161,625	346,625	1,007,580
2017	445,000	217,879	662,879	195,000	152,125	347,125	1,010,004
2018	460,000	198,608	658,608	205,000	142,125	347,125	1,005,733
2019	480,000	178,295	658,295	215,000	131,625	346,625	1,004,920
2020	500,000	156,863	656,863	230,000	120,500	350,500	1,007,363
2021	580,000	132,825	712,825	240,000	108,750	348,750	1,061,575
2022	605,000	106,163	711,163	250,000	96,500	346,500	1,057,663
2023	630,000	78,375	708,375	265,000	83,625	348,625	1,057,000
2024	660,000	49,350	709,350	280,000	70,000	350,000	1,059,350
2025	690,000	17,250	707,250	290,000	55,750	345,750	1,053,000
2026				305,000	40,875	345,875	345,875
2027				325,000	25,125	350,125	350,125
2028				340,000	8,500	348,500	348,500
	<u>\$ 8,375,000</u>	<u>\$ 3,893,002</u>	<u>\$ 12,268,002</u>	<u>\$ 4,400,000</u>	<u>\$ 2,721,444</u>	<u>\$ 7,121,444</u>	<u>\$ 19,389,446</u>

(1) Interest on the Certificates has been estimated for purposes of illustration.

## **THE CITY**

### **GOVERNMENTAL STRUCTURE**

The City of Sugar Land was incorporated in 1959 and adopted a Home Rule Charter in November 1980. The City operates under a Council-Manager form of government. The City Council consists of a Mayor and six council members, all of whom are elected for two year terms. The Mayor and two Council members are elected in even numbered years and four Council members are elected in odd numbered years. The Mayor and two Council members are elected at large, and the remaining four are elected by District.

The Mayor presides at City Council meetings and is entitled to vote on all matters considered by City Council. Powers of the City are vested in the City Council and include appointment of the City Manager, Boards and Commissions, adoption of the budget, authorization of bond issues, and adoption of ordinances and resolutions as deemed necessary, desirable and beneficial to the City. The City Manager is responsible for administrative and day to day operations of the City.

### **SERVICES PROVIDED BY THE CITY**

The City provides water, sanitary sewer, airport, and park services. Additionally, it provides local law enforcement, fire protection, solid waste disposal, and building inspection; maintains its storm drainage facilities, bridges and streets; and operates community recreation facilities.

The City does not operate hospitals, a school system, transit services or a higher education system and does not spend City funds in providing welfare. Public schools within the boundaries of the City are administered by the school district with independent taxing authority.

## **FINANCIAL ACCOUNTING**

The accounts of the City are organized on the basis of funds, each of which constitutes a separate entity for accounting purposes. With the City's implementation of GASB 34 in Fiscal Year 2002, the financial reporting was expanded to include entity-wide statements. The Statement of Net Assets and the Statement of Activities are the government wide statements and report information about the City as a whole. The most significant area of the fund accounting basis is the General Fund, which accounts for all revenues and expenditures of the City not accounted for in the various enterprise funds or the other funds maintained by the City. Other than ad valorem taxes, the primary sources of General Fund revenue include sales and use taxes, franchise fees, and miscellaneous sources, such as fines, penalties, licenses, fees, interest income from investments and other taxes. The Enterprise Funds consist of the Water and Wastewater Fund, the Surface Water Fund, the Airport Fund, and the Solid Waste Fund (collectively, the "Enterprise Funds"). The methods of accruing revenues and expenditures differ between the General Fund and Enterprise Funds <sup>(1)</sup>. For a description of the accrual methods and the reporting entity definition, see Note 1 of the notes to the Financial Statements in Appendix B.

Other funds maintained by the City are the following: (i) the Special Revenue Funds, including expendable trust funds; (ii) the Internal Service Funds; (iii) the Debt Service Fund; (iv) the Drainage Fund; and (v) the Capital Projects Funds.

(1) The GASB 34 entity-wide statements reflect full accrual.

## **BUDGETING**

Annual appropriated budgets are adopted for the General, Drainage, Special Revenue, and Debt Service Funds using the same basis of accounting as for financial reporting. Unencumbered appropriations lapse at the end of the fiscal year.

Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the City Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The City Council has the power to transfer any unencumbered funds allocated by the budget to one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Management has the power to transfer available funds allocated by the budget from one function or activity to another function or activity within the same department.

In cooperation with the department heads of the City and the Budget Office, the City Manager prepares an annual budget for the General Fund, Special Revenue Fund and Debt Service Fund for the ensuing fiscal year, in a form and system deemed desirable by the City Manager. The City Manager shall submit to the Council, for its review, consideration and revision, both a letter describing the proposed new budget, as well as a balanced budget for the forthcoming fiscal year, not later than sixty (60) days prior to the end of the current fiscal year. The budget, as adopted, must set forth the appropriations for services, functions and activities of the various City departments and agencies, and shall meet all fund requirements provided by law and required by bond covenants.

## **INVESTMENTS**

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change.

## **LEGAL INVESTMENTS**

Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change. Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or

(c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

#### **INVESTMENT POLICIES**

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the Board of Trustees detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

#### **ADDITIONAL PROVISIONS**

Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

## CURRENT INVESTMENTS

As of September 30, 2007, the City's investable funds were invested in the following categories:

	Book Value	Market Value
Cash	\$ 509,597	\$ 509,597
TexPool	40,894,475	40,894,475
Agencies	31,912,192	31,965,300
	<u>\$ 73,316,264</u>	<u>\$ 73,369,372</u>

As of such date, 64% of the City's investment portfolio will mature within three months.

TexPool is a local government investment pool under the control of the Texas Comptroller of Public Accounts. Investment management and customer service are outsourced by the Comptroller. The pool's investment objectives include achieving a stable net asset value of \$1.00 per share. Daily investment or redemption of funds is allowed by the participants.

## MUNICIPAL UTILITY DISTRICTS WITHIN THE CITY

The City has entered into utility agreements with three Municipal Utility Districts which are within the City's boundaries: Fort Bend County Municipal Utility District No. 21, Eldridge Road Municipal Utility District and Burney Road Municipal Utility District. The districts are to acquire and construct water, sanitary sewer, and drainage facilities to serve the area within the districts and may issue bonds to finance such facilities. Such agreements provide the following:

- (1) As water, sanitary sewer, and drainage facilities are acquired and constructed, the districts will transfer the facilities to the City, reserving a security interest therein for the purpose of securing performance of the City under the agreements. At such time as the bonds of the districts are discharged, the districts will release the security interest and the City will own the improvements.
- (2) The water and sewer rates charged by the City will be equal and uniform to those charged other similar users within the City with all revenues belonging exclusively to the City.
- (3) The City is to maintain the system in good condition and working order and will operate the system in an efficient and economical manner at a reasonable cost.
- (4) The City has agreed to pay Eldridge Road Municipal Utility District, Burney Road Municipal Utility District and Fort Bend County Municipal Utility District No. 21 a tax rebate of the ad valorem taxes collected on land and improvements within such districts. The rebates for the fiscal year ended September 30, 2007 were approximately \$1,574,850.
- (5) The City has entered into an agreement with various Fort Bend County Municipal Utility Districts within the Greatwood, River Park and Tara subdivisions within the City's extraterritorial jurisdiction, for funding the operating expenses relating to a fire station located within the Greatwood subdivision. The City received \$1,000,498 from the participating Municipal Utility Districts for the year ending September 30, 2007 in connection with this agreement.

## ANNEXATION POLICY

The City has expanded its geographic boundaries and its tax base through the annexation of contiguous unincorporated areas within the extraterritorial jurisdiction of the City. Upon annexation of a utility district by the City, Texas law generally requires that the City (1) take over all properties and assets of the district, (2) assume all debts, liabilities and obligations of the district, and (3) perform all functions and services of the district. When the City assumes district bonds or other obligations payable in whole or in part from ad valorem taxes, Texas law requires the City to levy and collect ad valorem taxes on all taxable property within the City in amounts sufficient to pay the principal of and interest on such assumed bonds and obligations. Under existing law, neither the annexation of districts nor the assumption of their outstanding bonds or other obligations requires voter authorization.

The City has adopted an annexation policy to consider general issues which may impact the City prior to the annexation of any area. The annexation policy requires a detailed financial analysis to be prepared for review by the City Council. Public information is provided to both the citizens of the City as well as the citizens of the areas proposed for annexation, and opportunity is provided for public input. The City's annexation plan must adhere to the overall goals of the City and must maintain the quality of life in the annexed areas as well as the City.

## **TAX MATTERS**

### **TAX EXEMPTION**

In the opinion of Vinson & Elkins L.L.P., Bond Counsel, (i) interest on the Certificates is excludable from gross income for federal income tax purposes under existing law and (ii) interest on the Certificates is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Certificates, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service. The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinions will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Certificates for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor and the Initial Purchasers with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Initial Purchasers, respectively, which Bond Counsel has not independently verified. If the City should fail to comply with the covenants in the Ordinance or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Certificates could become taxable from the date of delivery of the Certificates, regardless of the date on which the event causing such taxability occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax exempt obligations, such as the Certificates, is included in a corporation's "adjusted current earnings," ownership of the Certificates could subject a corporation to alternative minimum tax consequences.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Certificates.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit.

Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit regardless of the ultimate outcome of the audit.

## **ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS**

### **COLLATERAL TAX CONSEQUENCES**

Prospective purchasers of the Certificates should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax exempt interest such as interest on the Certificates. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Certificates should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Certificates, received or accrued during the year.



## **TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM**

The issue price of all or a portion of the Certificates may exceed the stated redemption price payable at maturity of such Certificates. Such Certificates (the "Premium Certificates") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Certificate in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Certificate in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Certificate by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Certificate that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Certificate) is determined using the yield to maturity on the Premium Certificate based on the initial offering price of such Certificate.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Certificates that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Certificates should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Certificate and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Certificates.

## **TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT CERTIFICATES**

The issue price of all or a portion of the Certificates may be less than the stated redemption price payable at maturity of such Certificates (the "Original Issue Discount Certificates"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate constitutes original issue discount with respect to such Original Issue Discount Certificate in the hands of any owner who has purchased such Original Issue Discount Certificate in the initial public offering of the Certificates. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Certificate continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Certificates under the subcaption "COLLATERAL TAX CONSEQUENCES" generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (a) the Initial Purchaser has purchased the Certificates for contemporaneous sale to the public and (b) all of the Original Issue Discount Certificates have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Certificates will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Certificate.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

## **OTHER INFORMATION**

### **RATINGS**

The presently outstanding tax supported debt of the City is rated "Aa2" by Moody's, "AA" by S&P and "AA" by Fitch. The City also has several issues outstanding which are rated "Aaa" by Moody's, "AAA" by S&P and "AAA" by Fitch through insurance by various commercial insurance companies. Applications for contract ratings on this issue have been made to Moody's, S&P and Fitch. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by one or more of such rating companies, if in the judgment of one or more companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Certificates.

### **LITIGATION**

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

### **REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE**

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

### **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

### **LEGAL MATTERS**

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Certificates and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law and the Certificates are not private activity bonds, subject to the matters described under "TAX MATTERS" herein, including alternative minimum tax consequences for corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinances. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinions will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

## **AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION**

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

## **ANNUAL REPORTS**

The City will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the heading "DEBT INFORMATION" and in APPENDIX B. The City will update and provide this information within six months after the end of each fiscal year. The City will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") approved by the staff of the United States Securities and Exchange Commission ("SEC") and to any state information depository ("SID") that is designated and approved by the State of Texas and by the SEC staff.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial information and operating data which is customarily prepared by the City by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify each NRMSIR and the SID of the change.

The Municipal Advisory Council of Texas (the "MAC") has been designated by the State of Texas and approved by the SEC staff as a qualified SID. The address of the MAC is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947. The MAC has also received SEC approval to operate, and has begun to operate, a "central post office" for information filings made by municipal issuers, such as the City. A municipal issuer may submit its information filings with the central post office, which then transmits such information to the NRMSIRs and the appropriate SID for filing. This central post office can be accessed and utilized at [www.DisclosureUSA.org](http://www.DisclosureUSA.org) ("DisclosureUSA"). The City may utilize DisclosureUSA for the filing of information relating to the Certificates.

## **MATERIAL EVENT NOTICES**

The City will also provide timely notices of certain events to certain information vendors. The City will provide notice of any of the following events with respect to the Certificates, if such event is material to a decision to purchase or sell Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Certificates; (7) modifications to rights of holders of the Certificates; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates; and (11) rating changes. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "OTHER INFORMATION - ANNUAL REPORTS." The City will provide each notice described in this paragraph to the SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

## **AVAILABILITY OF INFORMATION FROM NRMSIRS AND SID**

The City has agreed to provide the foregoing information only to NRMSIRs and the SID. The information will be available to holders of Certificates only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

## **AMENDMENTS**

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "ANNUAL REPORTS" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

## **COMPLIANCE WITH PRIOR UNDERTAKINGS**

The City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

## **FINANCIAL ADVISOR**

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. First Southwest Company has agreed, in its Financial Advisory contract, not to bid for the Certificates, either independently or as a member of a syndicate organized to submit a bid for the Certificates. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

## **INITIAL PURCHASER**

After requesting competitive bids for the Certificates, the City accepted the bid of \_\_\_\_\_ (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the inside cover page of the Official Statement at a price of \_\_\_\_\_(%) of par plus a cash premium (if any) of \$\_\_\_\_\_. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

## **FORWARD-LOOKING STATEMENTS DISCLAIMER**

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

#### **CERTIFICATION OF THE OFFICIAL STATEMENT**

At the time of payment for and delivery of the Certificates, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

The Ordinance authorizing the issuance of the Certificates will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Initial Purchaser of the Bonds and the reoffering of the Certificates by the Initial Purchaser of the Certificates.

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Mayor  
City of Sugar Land, Texas

ATTEST:

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City Secretary

## **APPENDIX A**

### **GENERAL INFORMATION REGARDING THE CITY**

## POPULATION ESTIMATES

### City of Sugar Land

<u>Fiscal Year</u>	<u>Population</u>	<u>Annual % Growth</u>
1992	34,875	31.39%
1993	35,325	1.29%
1994	36,846	4.31%
1995	37,583	2.00%
1996	45,631 <sup>(1)</sup>	21.41%
1997	46,158	1.15%
1998	59,448 <sup>(1)</sup>	28.79%
1999	61,587	3.60%
2000	62,637	1.70%
2001	63,328	1.10%
2002	65,255	3.04%
2003	66,129	1.34%
2004	69,129	4.54%
2005	70,758	2.36%
2006	74,472 <sup>(1)</sup>	5.25%
2007	76,228	2.36%

Source: City of Sugar Land.

(1) Increase due to annexations.

## TOP EMPLOYERS

### City of Sugar Land

<u>Employer</u>	<u>Number of Employees</u>
Fluor Corp	3,000
Schlumberger	2,000
Methodist Sugar Land Hospital	637
Nalco Energy Services LP	400
Noble Drilling Services, Inc.	350
National Oilwell Corp	338
Baker Petrolite, Inc.	325
Thermo Electron	260
Fairfield Industries, Inc.	225
Tramontina USA	200

Source: City of Sugar Land.

## LABOR FORCE AND UNEMPLOYMENT RATE

### City of Sugar Land

Year	Civilian Labor Force	Total Employment	Unemployment	Rate
2003	23,362	22,220	1,142	4.9%
2004	23,636	22,621	1,015	4.3%
2005	39,489	37,872	1,617	4.1%
2006	41,135	39,534	1,601	3.9%
2007	41,572	40,134	1,438	3.5%

### Fort Bend County

Year	Civilian Labor Force	Total Employment	Unemployment	Rate
2003	208,885	196,594	12,291	5.9%
2004	211,063	200,132	10,931	5.2%
2005	229,967	219,080	10,887	4.7%
2006	244,666	233,134	11,532	4.7%
2007	246,819	236,672	10,147	4.1%

Source: Texas Workforce Commission. Averages through September 2007. Because of methodology changes in geographical areas below the state level, data from 2005 and 2004 or earlier is not considered comparable.

## NEW BUILDING CONSTRUCTION PERMITS

Fiscal Year	New Commercial Construction Value	New Residential Construction Value
1991	\$ 13,413,949	\$ 14,716,607
1992	14,814,598	17,665,124
1993	11,291,441	11,988,700
1994	22,166,020	9,799,456
1995	61,460,433	20,186,107
1996	27,405,478	19,230,276
1997	95,740,562	19,949,984
1998	103,261,024	40,064,667
1999	61,745,139	45,148,629
2000	44,381,129	54,586,730
2001	73,696,858	35,668,431
2002	81,205,725	41,612,777
2003	67,566,754	66,132,771
2004	78,674,241	47,099,346
2005	148,668,948	39,080,598
2006	156,214,028	90,428,117
2007	222,919,352	155,316,336

Source: City of Sugar Land.



**APPENDIX B**

EXCERPTS FROM THE  
CITY OF SUGAR LAND, TEXAS  
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2006

The information contained in this Appendix consists of excerpts from the City of Sugar Land, Texas Annual Financial Report for the Year Ended September 30, 2006, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

## **APPENDIX C**

### **FORM OF BOND COUNSEL'S OPINION**